D.1966

SHANGHAI MUNICIPAL
C. & S. D. RECORDS
No. S. B. D. 1966.
date 3 - 6 - 31.

SHANGHAI TIMES, SATURDAY, MAY 23, 1931

CUSTOMS NOTIFICATION

THE Public is hereby notified that by order of the Government the exportation coastwise of gold, including gold ornaments will only be allowed if the local Chamber of Commerce deposits a bond with the Customs certifying that the gold will not be exported abroad.

H. O. TONG,
Superintendent of Customs.

W. R. MYERS,
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, 22nd May, 1931.

2 7248

Reg.

attach to 'gold ban' file.

R/24/5.

Form No. 9
(G. 21,500)

SHANGHAI MUNICIPAL POLICE. File No.

Special Branch No. 1

REPORT

SHA... C. Branch No. 1 ...
No. S. I. J. 1966.
Date May 11, 1931.
Date 12-5-31

Subject (in full) The Gold Bar Exchange.

Made by D. I. Ross *Forwarded by* Henry Robertson C.D.I.

The buying and selling of gold bars is controlled by a very select ring, and as long as silver remains the currency of China speculation on the gold bar exchange will continue to exist. This is the main reason for any business being possible.

Some gold is imported and some is mined in China. A bar weighs ten ounces and is never sold singly but in multiples of seven.

Business may be transacted by members of the gold exchange either on their own behalf or acting for clients. In deals regarding the latter both the buyer and the seller pay the sum of taels 5 cents commission per bar brokerage to the broker. This is the authorized amount laid down but it is a recognized fact that brokers demand considerably more than this meagre figure.

The causes of fluctuation are numerous, chief among them being, the value of the pound sterling, U.S. dollars, Yen, the current price of silver, shipments of gold, the supply of gold on the market and the demand for same. The price of gold bars is controlled by the members of the gold bar exchange. Transactions therefore depend entirely upon what figure the seller is willing to accept and what the purchaser is prepared to give. All matters relevant to the deal are taken into consideration before the business is completed, but in spite of these precautions errors in judgment often occur.

Transactions are of two kinds. One being

Thanks, have file for some time
12/6

Form No. 2
G. 21,800-1-31

File No.

SHANGHAI MUNICIPAL POLICE.

REPORT

Station,

Date 19

Subject (in full)

Made by Forwarded by

at a price previously agreed upon for delivery on a specified date, while the other, which is the procedure generally used, is known as "Monthly Settlement" or "Forward Transactions". As more business is done in excess of gold bars available, the seller naturally requires time to arrange for delivery so as to give the purchaser an opportunity to prepare payment. Following the established custom "May Business" is now proceeding and will terminate on May 15, when it will be changed over to "June Business". That is meant by "May Business", is that gold purchased now for delivery on May 15, at the price prevailing or at a price previously agreed upon at the time of the deal, is paid when delivery is made, thus it sometime happens that the market quotation of gold bars may have fluctuated at the time of delivery, therefore the purchaser has to pay more or less as the case may be, when he takes delivery. On the 15th of this month, prospective purchasers must come to a satisfactory arrangement with their broker as to what is to be done regarding their speculations. They can either take delivery of the metal or, if the market rate is favourable, instruct their broker to re-sell it. Should the purchaser or the seller fail to meet their respective obligations, the seller unable to supply the gold, or the purchaser unable to pay the price in full, it is customary to take the Hong & Shanghai Bank T.T. Yen rates multiplied by 48 which is the recognized standard of the gold bar

Form No. 2
G. 21,500-1-31

File No.

SHANGHAI MUNICIPAL POLICE.

Station,

REPORT

Date 19

Subject (in full)

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exchange, then the difference between these rates and the agreed purchase price is either paid or received. At a conservative estimate in about ninety per cent of all gold bar transactions the metal is never delivered.

According to the regulations governing the exchange the delivery of gold is not compulsory, and in such cases the usual procedure of paying the difference in price is adopted.

In all negotiations the exchange demands a deposit of $25 per bar, from the contracting parties, to cover possible fluctuations. This amount is adjusted twice daily when members are called upon to make up any differences. If a speculator fails to meet his obligations the exchange automatically sells his holding and invariably debars him from the future use of the exchange.

Attached herewith together with translations is a copy of the Revised Regulations of the Shanghai Gold Stock Exchange Ltd. A copy of the Revised Business Regulations of the Shanghai Gold Stock Exchange, Ltd., has also been obtained and will be submitted in due course together with translations.

D.S. Ly
D. I.

Officer i/c Special Branch.

D.C. (Crime)

Information. You gave instructions some time ago that any information about the Gold Stock Exchange, which could be obtained in a discreet way, should be submitted.

Thereafter O/C S. Br.

Translation of the Revised Regulations of the Shanghai Gold Stock Exchange Co., Ltd.

Chapter I: General Rules

Art. 1 This Exchange is organized in accordance with the regulations of the Products Exchange and is named "The Shanghai Gold Stock Exchange Ltd."

Art. 2 This Exchange was promoted by managers of various firms registered with the Gold Dealers' Association and established with the sanction of the Ministry of Agriculture and Commerce.

Art. 3 This Exchange is situated in the International Settlement.

Art. 4 This Exchange will function for ten years from the date of registration with the Ministry of Agriculture and Commerce, on the expiration of which period it may petition the Ministry for prolongation of the period.

Chapter II Dealings

Art. 5 This Exchange deals solely in gold transactions, either "spot" or "forward", with the object of assuring safety in dealings and the development of commerce.

Art. 6 The notifications of the Exchange will be published in the Chinese vernacular papers fixed by the Exchange. However, matters concerning transactions will only be displayed in the Exchange.

Chapter III Capital & Shares

Art. 7 The total amount of Capital of the Exchange is fixed at $1,500,000 Shanghai currency, which is divided into 100,000 shares, that is to say, one share is worth $15.00.

Art. 8 The money for the shares is paid to the Exchange at one payment.

Art. 9 The share coupons of the Exchange are of five kinds, namely "1 share","5shares","10 shares", "50 shares" and "100 shares" coupons. On issuance, each coupon should bear the chop of the Exchange, and signed and chopped by the chairman and two members of the Standing Committee of the Exchange.

Art. 10 Out of the 100,000 shares, 27,600 are to be purchased by the promoters, 8,000 to be purchased by the Gold Dealers' Association, while the remaining 64,400 to be sold to the gold dealing shops and other business concerns in Shanghai.

Art. 11 When various gold dealers act as brokers, they must first deposit 200 shares as security with the Exchange. In case of any change or transfer of a broker, he should report the matter to the Brokers' Association as well as to this Exchange. Only a new broker possessing the same qualification as the retiring member is allowed to fill his place on the exchange.

Art. 12 The names of the share-holders among gold dealers are taken from the names of the shops registered with the Gold Dealers' Association and the managers of these concerns are regarded as their respective representatives.

Art. 13 The share-holders of this Exchange are limited to Chinese nationality.

Art. 14 The shareholders, who fail to pay the price of the share they receive, are to be dealt with according to Arts 109, 136 and 137 of the Company's Regulations.

Art. 15 In the event of the name of the shareholder or his business being changed he must insert same in a form supplied for this purpose by this Exchange, and the seller and the buyer of the share in addition to witnesses from both parties should sign the form.

Art. 16 In the event of the share coupon becoming defaced or damaged, the original copy may be returned to the Exchange for the issue of a new one. In case of the coupon being lost, the holder should report to the Exchange, supporting his declaration by more than two persons, following which the Exchange will publish a notice regarding the loss in Chinese press. If no one opposes the issue of a new coupon, within 60 days from the publication of the notice, the Exchange will issue a duplicate. The fee for inserting the notice in the press

will be borne by the person who lost the coupon.

Art. 17 In the case of a share being transferred from one person to another, the Exchange will collect a fee of $0.50 for each share transferred. The stamp tax for these shares will also be paid by the buyer.

Chapter IV

Art. 18 This Exchange will be in charge of a chairman, a standing Committee of four, an ordinary committee of four, and a supervisory committee of four.

Art. 19 The chairman is the managing director of the Exchange. Any matter within the limits of the Exchange Regulation may be considered by the committee and the chairman will execute the decision. The standing committee undertakes the task of assisting the chairman. Should the chairman absent himself from work owing to certain reasons, the chairman may appoint one of the committee to act for him.

Art. 20 The Supervisory Committee should from time to time inspect the duty and various books of the Exchange. In case of being dissatisfied with a certain transaction it may report the matter to a meeting of the committee which in turn will deal with the complaint. If the matter be serious and important, a meeting of shareholders should be called to settle the question.

Art. 21 The committee meeting may be attended by all committee members. The president of the meeting is the chairman of the Exchange.

Art. 22 Members of the Supervisory Committee and the Executive Committee should be elected by the shareholders. The chairman and members of the Standing Committee are to be elected from the committee members. The election of the above committee members is to be effected by ballot. In case of two member having the same number of votes, the eldest member will be elected.

Art. 23 Committee members are to be elected every two years, while members of the Supervisory Committee every year. A member may be reelected on the expiration of his term of office.

Art. 24 Shareholders over the age of 25 and in possession of more than 200 shares and having the qualification to be brokers, are eligible to be committee members. Those in possession of more than 100 shares are eligible for the post of members of the Supervisory Committee, who during their period of service, should deposit their shares with the Exchange after being examined and sealed up by the Supervisory Committee.

Art. 25 No committee members are allowed to do independent business outside on similar lines to the Exchange.

Art. 26 A committee member who is guilty of one of the following offences is liable to be suspended forthwith :-

a) having been declared a bankrupt.

b) having been deprived of his civil rights.

c) misconduct in business or when representing the Exchange, or violating the regulations of the Exchange.

Art. 27 The staff of the Exchange is at the disposal of the chairman in connection with the resolutions passed by the Committee.

Art. 28 No member of the staff is allowed to transact deals on his own behalf.

Art. 29 In the event of vacancies occurring in the staff, an extemporaneous meeting of shareholders will be held to elect members to fill the vacancies who will be allowed to serve for the remaining period left by their predecessors. But if the chairman considers the election of new numbers to fill the vacancies as unnecessary, the posts may remain vacant until the next meeting of the shareholders.

Chapter V Meeting of Shareholders

Art. 30 Every share holder has one "resolution right". Five days prior to every general meeting of shareholders, shareholders will be issued with admission tickets, election tickets and resolution tickets in accordance with the share coupons.

Art. 31 Regular meetings of shareholders are to be held twice a year in February and August. In case of necessity and with regard to the welfare of the Exchange, and on the application at a committee meeting of more than two supervisors or of shareholders possessing more than $\frac{1}{10}$ of the total number of shares, an extemporaneous meeting may be called.

Art. 32 The committee of the Exchange should notify shareholders one month prior to the convention of a meeting of shareholders.

Art. 33 Shareholders who are not in a position to attend meetings may ask other shareholders to act as their representatives, but they are bound to supply their representatives with the necessary proof in black and white.

Art. 34 Regular meetings of shareholders are to be resided over by the chairman, who is entitled to give his decision when a proposal is approved of and opposed by two parties having the same number of shareholders. The President of an extemporaneous meeting of shareholders is to be elected extemporaneously.

Art. 35 Resolutions passed at the meetings of shareholders as well as the names of shareholders present should be recorded in the "Resolutions Record", and endorsed by the President and committee members present, and kept in good order.

Chapter VI Brokers

Art. 36 Chinese merchants over the age of 25 and acting as managers in shops registered with the Gold Dealers' Association are allowed to act as brokers. Those with more than two years' service as assistant managers may also act as brokers on the approval of the Gold Dealers' Association upon the recommendation of the shops in which they are employed. Moreover, those who do not fulfil the conditions stated in Art 12 of the Regulations of the Products Exchange are not permitted to act as brokers.

Art. 37 The total number of brokers in the Exchange is fixed at 138, each of which should supply a will form together with a precis of his own biography from a commercial point of view; which will be forwarded by the Exchange to the ministry of Agriculture and Commerce for approval and the issue of business permits.

Art. 38 Before obtaining a licence, each broker should submit an application to the Exchange together with the licence fee and deposit of 200 share as security.

Art. 39 A detailed set of regulations concerning brokers is given in the Business Detailed Regulations.

Chapter VII Transactions

Art. 40 The transactions to be done by the Exchange are of two kinds, namely, "forward" and "fixed date", which are to be dealt with in accordance with the Exchange Regulations and the Business Detailed Regulations.

Art. 41 "Forward" transactions are to be completed on the day of transactions, while "fixed date" ones are to be done at most in two months time, during which period the dealers are allowed to sell and re-buy dealings.

Art. 42 As regards "fixed date" transactions, the exchange is given the right to ask the buyers and sellers to provide securities. In case of depreciation or increase in value or ther matters, it may ask the buyers and sellers to supply additional securities which are fixed in the Business Detailed Regulations.

Art. 43 In all transactions, the Exchange will record in detail the date and circumstances surrounding the transactions, together with the names of the sellers and buyers. Both parties will then come to an agreement before the completion of a deal.

Art. 44 In event of a broker breaking any of the conditions enumerated in the agreement, the Exchange has the right to ask the broker concerned to furnish an additional guarantee to back up the bargain, and after arbitration in the case may claim

the loss sustained through the breach from the broker's security fund, which, if not sufficient to cover the total loss, the Exchange can claim further compensation from the broker concerned.

Art. 45 A receipt will be issued to the broker by the Exchange on receiving the additional guarantee. This receipt is not allowed to be utilized for any other purpose.

Art. 46 As soon as the arbitration in the broker's case is dealt with, the receipt should be returned to the Exchange ; otherwise the Exchange will insert an advertisement in the local Chinese press declaring the receipt to be null and void. Expenses incurred in the publishing of the advertisement will be defrayed by the broker concerned.

Chapter VIII. Working Hours

Art. 47 The working hours and holidays of the Exchange are included in the Business Detailed Regulations.

Chapter IX Delivery of goods.

Art. 48 Detailed regulations governing the delivery of goods in "spot" and "forward" transactions are included in the Business Detailed Regulations.

Chapter X Adjustment of Accounts.

Art. 49 The gross income minus the regular and other expenses of the Exchange is taken as net income. From the net income, a percentage is to be deducted. The remaining net profit in taels is to be disposed of in the following way :-

1/10 as deposit.
2/10 as rewards and compensations.
7/10 as bonuses to be distributed among the shareholders.

The remaining sum if below a tael is to be brought forward and included in the next balancing of accounts.

Art. 50 The distribution of bonuses among shareholders will be effected every term after the balancing of the accounts as well as after the decision on the matter by the Committee Meeting.

Art. 51 The account statistics should be prepared by the committee members, inspected and endorsed by the Supervisory Committee and enacted by the Shareholders' Meeting.

Chapter XI Account Books.

Art. 52 The manner, style, adjustment and keeping of the account books of the Exchange should be approved by the Committee before being put into execution.

Art. 53 The method, style, adjustment and keeping of account books of brokers are to be decided at the Brokers' Meeting, and approved by the Committee of the Exchange before adoption.

Chapter XII Storeroom.

Art. 54 The Exchange establishes a storeroom to accomodate merchandise belonging to the Business Department and business documents, trusted to the Exchange.

Art. 55 The regulations governing the keeping of the Exchange storeroom are to be decided by the Committee.

Chapter XIII Dispute in transactions

Art. 56 In case a dispute arises among the brokers of the Exchange or between brokers and dealers, they may request the Exchange to arbitrate in the matter, the method which is explained in detail in the Business Detailed Regulations.

Chapter XIV Appendix

Art. 57 All expenses incurred in establishing the Exchange and paid by certain individuals should be repaid.

Art. 58 Business matters which are not dealt with in detail in this set of regulations are taken up in the Business Detailed Regulations should be made in accordance of Art. 8, Chapter 4 ofthis Exchange.

Art. 59 Things ommited in this set of regulations should be dealt with in accordance with the regulations of this Exchange and the regulations governing other Exchanges.

S49

THE CHINA PRESS, MONDAY, APRIL 27, 1931

Appointees Will Curb Wild Gold Bar Speculating

(*Kuo Min News Agency*)

NANKING, April 26.—By a order issued jointly by the Min istries of Finance and Industry Mr. Hsu Chien-shan, secretary the Ministry of Industry, an Mr. Chen Hang, vice-governor the Central Bank of China, ar appointed government supervisor of exchanges in Shanghai.

The principal function of the supervisors, it is understood, will be in the direction of curbing wild speculation on the Gold Bar and other exchanges.

Labour Dept

SI,

For discreet investigation and report please.

27:4:'31.

846

The Gold Standard

THE NORTH-CHINA DAILY NEWS, MONDAY, APRIL 27, 1931

SENATOR'S VISIT TO CHINA

Mr. Pittman Leaving United States on May 16

N.C.D.N. SPECIAL SERVICE

Washington, Apr. 25.

Senator Key Pittman, Democrat of the silver producing state of Nevada, announced to-day that he will sail for China from Seattle on May 16.

Senator Pittman is going to China in his official capacity as the chairman of the sub-committee of the Senate Foreign Relations Committee which was created to investigate the cause for declining Sino-American trade and the relation of that decline to the depressed silver prices which prevail in the world markets.

During the next few months Senator Tasker L. Oddie, a Republican and also of Nevada, will make his own investigation in China. As the chairman of the Senate Committee on Mines, he will study the relation of trade in the Orient to silver and then confer with Senator Pittman.—United Press.

14. 3. 31.

Nanking Gold Is Shipped To United States

Bars Valued At Tls. 216,000,000 Leave By Dollar Steamer

AN OFFICIAL MOVE

No Sign Yet That Government Embargo On Yellow Metal Will Be Lifted

Under the authority of Mr. T. V. Soong, Minister of Finance of the Nanking Government, gold bars valued at Tls. 216,000,000 were shipped from the Central Bank of China yesterday to the U. S. Government Mint at San Francisco by the Dollar s.s. President Cleveland. It is understood that other shipments will follow.

This is the first occasion on which gold has been sent out of the country since the embargo was placed on its export by the Nanking authorities. There have been, from time to time, irregular and illegal shipments by local individuals and groups, mostly to Japan, but yesterday's movement of gold bars has the sanction of the National Government and represents, in fact, official funds.

Crop Of Rumours

The fact that the Central Bank of China possessed in its local vaults an unusually large quantity of gold bars has given rise to persistent rumours during the past fortnight to the effect that a shipment to the United States was contemplated. Inquiries by "The Shanghai Times" in financial and insurance circles, however, failed to elicit any confirmation of [illegible] transfer, and yesterday it was definitely stated that no such shipment had been made until the President Cleveland left for San Francisco.

This bullion, according to a message from Nanking, may be converted into gold dollars and thus earn interest which would be otherwise lost if the bars remained in the possession of the Bank. No repercussion is anticipated so far as the local gold bar exchange is concerned, as it has been stated that this shipment constitutes purely a Governmental move and is no indication whatsoever that the removal of the embargo on the yellow metal is contemplated.

Official Institution

Mr. T. V. Soong, in addition to holding the Finance Portfolio in the National Government, is president of the Court of Directors of the Central Bank of China, which is a Government institution directly under the control of Nanking, with a court of directors and subsidiary committee made up of Chinese officials. This is the only financial institution in the country which is permitted to have gold [illegible] and sell it to the public [illegible]

30/

The [illegible] & Mercury, Tuesday, Febr[illegible]

SHANGHAI MUNICIPAL POLICE
C. & S. B. REG. No. 1966.
Date 10 - 2 - 31.

Gambling in Gold Bars

J[illegible] [illegible]tions and sheer gambling is one [illegible] difficult of economic problems.

[illegible] only really effective test is to see whether the "seller" can actually deliver the goods. But as it often happens that the last thing in the world which the "buyer" wishes, is to take actual delivery of that which he has "bought," the [illegible] is not very often applied.

Recent rumors that the Chinese Government intended to take drastic action in regard to exercising control over gold bar transactions have been now confirmed.

The Central Political Council has drawn up a series of regulations to this end which the Ministry of Industry has been instructed strictly to enforce immediately.

The object of these restrictions is to make it impossible for any but genuine buyers and sellers to dabble in gold bar transactions. Whether this can be done effectively in the manner proposed remains to be seen.

If it can, Shang[illegible] be freed [illegible] of the far too many [illegible] make legitimate business [illegible] times like the present, when economic conditions generally are so unsettled as to [illegible] gambling.

Under the regulations just issued [illegible] Nanking, brokers on the Shanghai Gold Bar Exchange and the Shanghai Stock and Produce Exchange (which also handles gold bar transactions) are forbidden to do business [illegible] any but bonafide exporters of bullion or de[illegible] in foreign exchange. The penalty for infringement of this order is withdrawal of the [illegible] [illegible]

[illegible] additional security must [illegible] is intended to put a stop [illegible] buying and selling which consists merely [illegible] on a shirt-cuff [illegible] of an [illegible].

There are many other [illegible] most important [illegible] government action [illegible] own [illegible] —when [illegible] to believe that [illegible] are [illegible] to manipulate or corner the market.

Intervention by the government may take the shape of ordering the [illegible] entirely, [illegible]

It is to be hoped that [illegible] these regulations by the [illegible] will have an immediate [illegible] wild [illegible] authorities [illegible].

Everybody knows that [illegible] is largely [illegible] do not [illegible] the bullion they pretend to [illegible] of course, [illegible] gold bars, [illegible] purely speculative.

If the matter stopped there, the situation might be met by imposing [illegible] tax on these transactions, but [illegible] far beyond the walls of the [illegible] ing in [illegible].

Gambling in gold bars [illegible]

[illegible]

Reg.
Please attach to file.
[illegible]
9:2:'31.

5

THE NORTH-CHINA DAILY NEWS, THURSDAY, FEBRUARY 5, 1931

[illegible]ernment and [illegible]kiang Road

[illegible]: The Prince [illegible] of Wales' Tour

Gold Bar Exchange

To the Editor of the
"North-China Daily News."

Sir,—The communication in your paper about the measures devised by the government for the control of the Gold [illegible]change, I am sure, must be welcomed by all business men and industrialists with a sigh of relief. I have however my doubts about the [illegible] of the authorities, as, only [illegible] the measure for the closure of the Exchange was contemplated, not doubting further was heard about the matter.

Whatever [illegible] intention of the government [illegible] control of the gold bar [illegible] will not [illegible] any [illegible] speculation disease [illegible] to respond [illegible]

Exchanges for commodities, are vital to trade and industry, enabling operators to hedge against possible rise or fall of the commodity prices.

Why cannot the Chinese government take courage and devise stringent measures to eradicate once for all the malignant canker of speculation that is fast corroding the body of China?

The very first step the authorities should take is to penalise very heavily those few arch-speculators. Last week we read that Italy deported from the country, a very influential and wealthy industrialist and financier, for his speculative operations detrimental to the country. France did the same last month.

China for the moment, practically rules the silver market of the world and if the sales and purchases of this metal were made and registered according to the requirements of its [illegible] gold currency, the oscillation of the value of the Tael would form a correct barometer of the country's intercourse with the outside world. But the barometer is disturbed and influenced by the spilled atmosphere of speculation emanating from the [illegible]

If the authorities would not or could not close this Exchange altogether, why could they not take up the question of foreign exchanges in their hands by establishing a "Valuta" bureau, through which medium all exchange banks should be made to get valutas on behalf of their clients, who in their turn should prove to the banks the bona fides of their exchange operations through documentary evidence proving genuine business transactions? This step will automatically clear cut speculation and create the stability of the value of the Tael.

In similar cases, immediately after the war, both France and Italy adopted this measure and at a later stage fixed their currency—Franc and Lira—at a certain value, basing such fixation on their gold holdings.

China is already burdened with the bad effects of her civil wars, but the effects of the war against Tael, will soon throw the country down into the abyss of ruin and chaos.

Stabilization of the currency means flourishing trade and good trade means prosperity to the country. Banditry and Communism will disappear at the sight of prosperity, as there would be simple occupation for the [illegible] the fields and in [illegible]

China [illegible] in of [illegible] needs [illegible] will [illegible] by

Mr. (Br. and Sp. Legs)
Information and Paper
of return as S.L. is collecting
information on the subject &
will soon be submitting a
report.

No 2

Ref

6/2/31 Reg. 6/2/31

LOCAL EXCHANGES

The letter appearing in the correspondence columns to-day relating to the Gold Bar Exchange can only be accepted as a personal expression of opinion. To say that the Exchange has no right to exist and is "nothing else but a gambling house" is ridiculous, and if the writer of the letter had taken the trouble to investigate opinions of exchange brokers actively engaged in fixing rates of exchange for importing and exporting firms, he would have found that at times the speculation proceeding there has been the medium of securing certain more favourable rates for remittances than in these difficult times of trade would otherwise have been available. That gambling in addition to what may be described as legitimate speculation occurs on the Exchange and the regulations recently issued by the Municipal Government have been devised with a view to suppressing it. To blame the Gold Bar Exchange, however, for all the evils in local business is hardly correct. The crimes of Kiukiang Road are not as all-embracing as the correspondent appears to believe.

It will be noted that the writer of the letter mentions the case of a cotton mill having closed its doors "owing to the evils of the speculative mania of the onward." One of the best informed firms on the local cotton and yarn situation, Messrs. J. Spulir & Co., dealt with this matter in their report published in the "North-China Daily News" last Saturday, when they said:—

> The yarn market has been quite steady during the early part of the week, but one of the Chinese mills, due to financial difficulties, went into voluntary liquidation, the proprietor of which mill was one of the largest operators in yarn and cotton (bear side) on the Cotton Goods Exchange. In order to dribble bears and particularly this mill in question to cover their shorts by not insisting on the margin, the Exchange put into effect an order to demand a special margin of Tls. 10 cash per bale on any new purchases, and hence the buying forces were restricted.

It has to be emphasised that the Cotton Goods Exchange is entirely separate from the Gold Exchange, and it is certainly of interest to note that the authorities there at once took action on their own initiative to prevent a further dislocation of normal business conditions.

Where the writer of the letter is in a sense correct is that operations on the Cotton Goods Exchange are influenced by those on the Gold Bar Exchange. For instance yesterday when observers of the market expected to see the price of cotton yarn lower, they found it higher because there is a belief in Kiukiang Road that the price of gold bars is going to advance to still further heights. In other economic systems, however, one finds practically a similar condition of affairs existing, commodities being under the influence of money rates and the prices of other commodities. Of course there is no doubt that at times Shanghai—as was probably only natural when growing up to its still aspired condition of maturity—went mad over the prospect of making untold wealth by the establishment of exchanges for every purpose in the world, no commodity being so insignificant that people could not be found to establish an exchange for it, but that fever quickly and radically cured itself. What must now be strived at is to bring the present exchanges into line with the soundest foreign practice, making them an aid to commerce as they should be, with regulations which sane Chinese business men know perfectly well how to devise to meet their own special conditions, to eliminate as far as humanly possible violent disruptions of the normal channels of trade.

D.O. (Br. and Sp. Br's)
Reformation and
Form of return.
J.O.
5:1:'31.

Extract from Chinese newspaper translation

2.2.31.

THE MINISTRY OF INDUSTRY & THE GOLD BAR EXCHANGE

The China Times and other local newspapers publish the following report :-

The Ministry of Industry has sent to the Municipality of Greater Shanghai the following ten measures passed by the Central Political Meeting and directs that they be transmitted to the Shanghai Gold Bar Exchange and the Shanghai Bond and Exchange to be observed by them:-

(1) By order of the Ministry, brokers must not buy or sell on behalf of persons who are not in the international money exchange business or export business.

(2) Any broker who violates the order will have his licence withdrawn by the Ministry and a fine will be imposed. The Gold Exchange will also be fined if it be discovered to have concealed the offence.

(3) The amount to be deposited by both the buyer and the seller must exceed one-tenth of the value of the purchase or sale and a further deposit will be required if the difference in price reaches 50% of the amount of the original deposit. Offenders will be severely dealt with.

(4) The Ministry will ask for documents of purchase or sale and for a further deposit in case there is a large increase or decrease in the value of gold or silver.

(5) The committeemen and staff of the Gold Exchange are strictly prohibited to conspire with brokers in business transactions. Offenders will be dismissed and severely punished in other ways.

(6) Brokers are not allowed to undertake speculation business personally.

(7) In case the abnormal increase or decrease in the value of gold had been exclusively managed by brokers, the Ministry will close down the Exchange when it is deemed fit.

(8) The Exchange must publish every day the market rates and average rates and the amount of business done by brokers. This is to be checked by supervising officers.

(9) Brokers should every day make reports of the amounts and the kinds of business transacted on behalf of others.

(10) The supervising officers have the right at any time to investigate the books of Exchanges and the contracts entered into by brokers on behalf of clients.

Shanghai Times - February 1, 1931.

Gold Bar Speculation To Be Restricted Under New Regulations By Nanking

BROKERS PROHIBITED BUYING OR SELLING OTHER THAN FOR BONA FIDE EXPORTERS OR DEALERS IN FOREIGN EXCHANGE

10 PER CENT. OBLIGATORY MARGIN MUST BE INCREASED WITH BIG FLUCTUATIONS

Shanghai Gold Bar Exchange And Shanghai Stock And Produce Exchange Ordered Immediately To Enforce Regulations

The National Government of China has decided to regulate speculation in gold bars, and ten articles have been drawn up for transmission to the Shanghai Gold Bar Exchange and the Shanghai Stock and Produce Exchange for immediate observance. The measures approved by the Central Political Council strictly prohibit brokers buying or selling on behalf of parties not bona fide exporters or dealers in foreign exchange, and the names of people engaging in transactions are to be submitted daily for examination. Violation of this order will mean that brokers will lose their licences and be severely punished, and exchanges who do not report transactions fully or otherwise connive with breaches of the new laws will be dealt with.

Article three stipulates that not less than ten per cent. shall be deposited by the buyer and seller as margin money, and in the event of fluctuations in the market quotation exceeding 50 per cent. of the margin money an additional deposit shall be paid. Brokers may not undertake transactions outside the exchange, while exchange business, or only forward transactions, may be ordered to be temporarily suspended when there is wild [illegible] or depression of

NANKING, Jan. 31.—A set of [illegible] governing the regulation of gold bar speculation, consisting of 10 articles, has been formally approved by the Central Political Council and handed down to the Ministry of Industry for strict enforcement.

It is understood that the regulations will be transmitted to the exchanges concerned (the Shanghai Gold Bar Exchange and the Shanghai Stock and Produce Exchange, in which gold bar transactions are also conducted) for immediate observance.

Curb Restless Speculation

It is believed that with the enforcement of the new regulations, reckless speculation in gold bars on the part of the unscrupulous may be curbed.

The ten measures are as follows:

1.—Brokers shall henceforth be [illegible] to the [illegible] for right observance. Strict vigilance shall also be maintained over the enforcement of this provision by the Ministry's supervisor.

2.—Brokers found guilty of violating the preceding stipulation shall be deprived of their business license and severely punished by the Ministry. Exchanges engaged in gold bar transactions which wilfully abstain from reporting, or otherwise connive with, such breach of the law, upon detection, shall likewise be dealt with.

Margin Money

3.—The "margin" money to be deposited by the buyer and seller shall not be less than 10 per cent. of the amount mutually agreed upon. In the event, however, of the fluctuations in the market quotation having exceeded 50 per cent. of the "margin" money, an additional deposit should immediately be paid. Violation of this rule shall be dealt with severely.

4.—During times of violent market fluctuations, the Ministry may issue special orders requiring an increase in the legal percentage of "margin" money and the payment of additional deposit by the parties concerned.

5.—Directors as well as [illegible] shall [illegible] of the exchanges shall be eligible [illegible] in connection with the [illegible] none violating the [illegible] above directions.

undertake any transactions outside of the exchange concerned.

7.—At times of wild fluctuations in the value of gold and silver, or when it is discovered that certain unscrupulous brokers are wilfully boosting or depressing quotations to manipulate or corner the market, or when it is believed that a crisis is likely to be caused without any satisfactory way of saving the situation, then the Ministry may, either on its own accord or upon the petition of the exchanges, order the temporary suspension of business of the exchanges or the suspension of forward transactions.

8.—Exchanges engaged in gold bar dealings shall be required to submit to the Supervisor for examination daily returns of the quotations and average quotation for the day as well as the amount and period of the transactions booked by their brokers for examination.

9.—All brokers shall likewise be required to submit for examination daily returns of the names of their clients, amount and period of transactions booked on their behalf, as well as the trades in which their clients are engaged.

10.—[illegible] banks and other [illegible] shall [illegible] of the [illegible] as well as [illegible] the [illegible] the brokers [illegible]

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THE GOLD EXCHANGE

During the past few days rumours have been current—not by any means for the first time—that the Chinese Government intends to close the Shanghai Gold Bar Exchange. It is worthy of note that in the Exchange little agitation has been caused through this report, and it is considered much more likely that what Nanking has in anticipation is a measure of restriction on the transactions undertaken. Kiukiang Road's influence on the exchange position is undoubtedly very great, and it has been noted that operators there have been able to force exchange up when the price of silver has gone down and *vice versa*, but this has rather demonstrated the weakness of silver as a metal than anything else. There are many different opinions regarding the position of Kiukiang Road as a factor in the economic life of China: at times it has been described as controlling the silver markets of the world, which is true up to a point, and the amount of speculation proceeding there has also been described as colossal. If, however, the opinion of one of the best known brokers in Shanghai is correct the amount of speculation is nothing in comparison with what goes on in the money markets of London and New York.

When it comes to dealing with speculation it is essential that it should not be mixed up with gambling. The courts both in England and America have differentiated between the two, and on the question of speculation Mr. Hartley Withers, the well-known writer on economic subjects has some very interesting sentences in his book entitled "War and Lombard Street." He says:—

> Now speculation is not a vice in itself. It is a stupid way of losing one's money, but the speculator is quite a useful person so long as he is not given rope enough to allow him to become a danger to other people. He helps to make a free market, and he provides lodgings for new issues until such time as the real investor comes and buys them and puts them away with the money he has saved.

Obviously in any legislation it may have in contemplation regarding Kiukiang Road the Government ought to be guided by a statement of the functions of speculation such as this.

At present all that is known is that there is talk in Nanking of restricting the activities of the exchange dealers, but if so it will have to be done in a way which will not inflict harm on the community. By making a free market, as Mr. Hartley Withers says, merchants in the past and to-day have been able to secure rates for their bills which in other circumstances would not have been possible, and that brings into prominence the case where speculation proves of benefit to the commercial community. When, however, to refer again to the above passage, speculation becomes a danger, it is obviously time for action. Probably the sanest view to be obtained on the matter is that of the exchange brokers handling the bills of importing and exporting firms, and in the present state of affairs it is interesting to note that so far as can be learned the freer market which the Exchange affords offsets the greater evils. There is, however, an irresponsible element with funds and knowledge of small dimensions operating in Kiukiang Road, and if it is the elimination of this section that the Government has in mind it will not be acting without justification.

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THE SHANGHAI TIMES, MONDAY, JANUARY 26, 1931.

GOLD BAR GAMBLING TO BE STOPPED

Regulations Formulated Governing Ban On Speculation

It is understood that new regulations consisting of 10 articles governing the prohibition of gold bar speculation by the stock exchanges have been formulated by the Ministry of Industry, and approved by the Central Political Council. The Greater Shanghai Municipal Government and the Association of Stock Exchanges will be duly notified by the Ministry to observe the regulations so that the wild speculation in gold and silver may be curbed.—Kuo Min.

SPECIAL INQUIRY

Review of the Gold Bar Market

The gold bar market during the week ending January 17 showed a very unsettled tendency. Changes in quotations were so frequent and violent as to disturb very seriously the confidence of speculators. Affected by the easy conditions at the close of the preceding week and a rumour concerning the possibility of a big silver loan to China by the United States and Canada, the first two days of the week saw a sharp decline in prices. The excitement subsided on Wednesday, January 14, when purchasers greatly increased in number and were more active even than they were during the previous week. Quotations went steadily upward and toward the close of the week several new high records were established. Nevertheless, in spite of these rapid rises, the effect of frenzied trading on the part of dealers was such that even during one and the same session quotations dropped with the same suddenness as they had gone up. During the week-end session, fluctuations ranged as far apart as Tls. 33.50, an unprecedented record for a single session. The peak price of the week, Tls. 755.00, was reached on Saturday, January 17, while the bottom price, Tls. 686.00, was touched on Tuesday, January 13, representing a fluctuation of Tls. 69.00 as against Tls. 72.00 recorded during the preceding week.

Excited over the report that silver values might be stabilized by a big silver loan to China, the market on Monday, January 12, showed a sharp decline. It opened in the morning at Tls. 715.50 and soon rose to Tls. 724.80, but toward noon moved steadily downward and, after touching a low of Tls. 715.00, closed at noon at Tls. 719.50. During the afternoon, further depreciation was recorded. Despite an opening at Tls. 718.50 and a subsequent rise to Tls. 719.80, owing to bear activity quotations dropped sharply to Tls. 705.50, the bottom price of the day, before closing at Tls. 706.80. Owing to a current rumor that China had actually accepted a huge silver loan, the market on Tuesday, January 13, continued to slide rapidly. After business opened in the morning at Tls. 714.00, quotations steadily declined until Tls. 690.50 was reached at noon, after touching a high of Tls. 718.50 for the day. During the afternoon the drop in the market was particularly sharp. Opening at Tls. 691.50, rates dropped to Tls. 686.00, the week's bottom price, before business closed at Tls. 695.20. Between the high of the morning and the low of the afternoon, there was the astounding difference of Tls. 32.50.

As the result of another rumor concerning the absorption of a large amount of cash bars by a local bank, the market on Wednesday, January 14, recovered, and throughout the day quotations advanced, with the market showing a very sound tone. Business opened at Tls. 703.00 but quickly dropped to Tls. 697.00, but approaching noon a number of dealers came out as good buyers, and quotations moved gradually upward, closing firmly at noon at Tls. 706.20. The afternoon market showed a still stronger tendency, quotations soaring from an opening at Tls. 709.00 to hit the day's peak price at Tls. 720.50. The closing price receded slightly, being registered at Tls. 718.60. On Thursday, January 15, the market showed a strong opening but a weak close. Business began in the morning at Tls. 719.80, which was also the lowest price of the day, and closed in the afternoon at Tls. 729.50. The highest price touched was Tls. 737.50, representing a fluctuation of Tls. 17.70.

On Friday, January 16, the market was opened at 8:30 a.m. in order to allow time for carrying over accounts from February to March delivery. During the carry-over, owing to lack of buyers for cash bars, over-bought dealers were obliged to pay a premium to the bears of from Tls. 4.00 to Tls. 5.00 for each bar in order to carry their commitments forward from February to March. February delivery opened at Tls. 733.80 and after touching a high of Tls. 746.50, business closed at Tls. 735.50. Influenced by the jump in local exchange rates, business for March delivery opened with a strong bullish tendency. It opened in the morning at Tls. 738.50 and rose rapidly to Tls. 753.00, passing the previous record of Tls. 748.00 established on January 9, before business closed at noon at the latter figure. The new record was not long maintained as very uncertain feelings prevailed during the afternoon. Business opened at Tls. 746.50 and after touching a high of Tls. 746.50 and a low of Tls. 734.00, closed at Tls. 735.50. On Saturday, January 17, the fluctuation was more violent. As a result of the more rapid decline in silver prices abroad, the market opened at Tls. 745.50 and soon jumped to Tls. 755.00, the highest figure registered in local financial history.

But no sooner was this price reached than a number of big dealers started heavy selling, either for covering or hedging purposes, and quotations soon took a reactionary turn. The lowest price recorded during the day was Tls. 721.50, and the closing price was Tls. 726.50, showing a slight decrease of Tls. 0.50 as compared with the closing price of the preceding Saturday, January 10.

The fluctuations during the week under review were as follows:—

January 12

	Morning	Afternoon
Opening Price	Tls. 715.50	Tls. 718.50
Closing „	719.50	706.80
Highest „	724.80	719.80
Lowest „	715.00	705.50

January 13

Opening Price	Tls. 714.00	Tls. 691.50
Closing „	692.00	695.20
Highest „	718.50	704.30
Lowest „	690.50	686.00

January 14

Opening Price	Tls. 703.00	Tls. 709.00
Closing „	706.20	718.60
Highest „	708.00	720.50
Lowest „	697.00	709.00

January 15

Opening Price	Tls. 719.80	Tls. 737.00
Closing „	727.00	733.00
Highest „	734.80	737.50
Lowest „	719.80	729.50

January 16

February Delivery

Opening Price	Tls. 733.80	——
Closing „	743.80	——
Highest „	747.00	——
Lowest „	733.80	——

March Delivery

Opening Price	Tls. 738.50	Tls. 746.50
Closing „	748.80	735.50
Highest „	753.00	746.50
Lowest „	738.50	734.00

January 17

Opening Price	Tls. 745.50	——
Closing „	726.50	——
Highest „	755.00	——
Lowest „	721.50	——

SHANGHAI'S SPECULATIVE INSTITUTIONS

Their Reactions Under the Silver Slump

by B. Y. LEE

The far-reaching effects of the prevailing silver slump which is partially responsible for the world depression, is dealt with here by Mr. Lee in connection with the local financial institutions particularly the various exchanges of which he mentioned six. Besides discussing the extraordinary reactions caused immediately by the unprecedented ebb in silver value, the writer gives in brief form pertinent information on the nature and the organization of the various exchanges as well as the manner of trading as employed in each case. While some of them do exist for the purpose of legitimate trade and investment, it is pointed out that a number of them are largely speculative in nature and for this reason the writer warns against rash adventures in this kind of business.

SPECULATION enters into the marketing of many staple commodities, gold and silver as well as stocks and bonds in all civilized countries, and China is no exception. Like most human institutions, speculation is neither wholly good nor wholly evil. Only those who have prepared themselves can hope to succeed, and then their success comes because of much thought, long experience, ample amount of capital, and persistent self-control. Speculation through the organized exchanges is strongly opposed in China, and very often no clear distinction is made between speculation and ordinary gambling. Practically all business men in Shanghai, Chinese and foreigners alike, have at one time or another speculated in one of the organised exchanges promoted by Chinese of which there are six in Shanghai, namely, The Shanghai Gold Bar Exchange, the Chinese Cotton Goods Exchange, the Shanghai Produce Exchange, the Chinese Bond Exchange, the Shanghai Oil and Bean Exchange and the Shanghai Flour Exchange. Many "society" men and women including many young ladies often speculate clandestinely and depend upon the telephone entirely in giving orders to the brokers to buy and sell. Thus they may make or lose a fortune without the knowledge of their friends or families. It is this class of speculators who suffer most in the end for they are as a rule losers.

The price of silver reached its lowest ebb in history on January 9 of this year when the white metal was quoted in London at 13¼ pence per ounce and the American dollar was quoted at 31-¾ that is, Tls. 100 (Shanghai) for G.$31.75. The causes of the recent slump in silver are many; none of which can be controlled by China. Whenever there is a slight fluctuation of the white metal, it is indicated in the Shanghai Gold Bar Exchange at 2, Kiukiang Road, which, as its name indicates, is one of the largest and most popularised gambling establishments in the Orient; it is a purely speculative market as the so-called gold bars that are dealt in are fictitious. The price of the fictitious gold bars is based on the local current exchange rate of yen (Japanese currency) multipling by 48. For example, if to-day's rate is Tls. 150 for Y.100 the gold bar is quoted at Tls. 700. Of course, this calculation is purely a theoretical one, and many other factors influence the ups and downs of the bars during the course of a day's trading.

The Exchange is not a "traders' market," but rather a "speculative exchange" as there is no actual business being carried on. No speculators either take or deliver gold bars on settlement days which come the 16th of each month. Both buyers and sellers must "cover" their outstanding transactions on or before this day. On the average, the total number of fictitious gold bars transacted daily is about 100,000. But during the period of violent fluctuation as that happened during the last part of December and the first week of this year, more than a quarter of a million bars were transacted. The most violent fluctuation took place on January 6 to 9 of this year when the price of gold bars advanced from Tls. 650 to Tls. 748 during those 4 days. The profit or loss to speculators on these days was estimated to be around Tls. 6,500,000. Those 4 days were the most exciting ones in the history of the Exchange. A unit is of 7 bars, that is, one can either buy or sell any number of bars, in the multiple of 7. Officially, brokerage per unit of 7 bars is 7 maces or one mace per bar, but in actual practice half a mace per bar is accepted if the client is well known to the broker or he is doing a large amount of business.

On account of the quick fluctuation, many speculators, particularly the amateur speculators, are very fond of this game, for they can make a large fortune in a comparatively short time. There are many cycles in each year, and in each cycle a wide fluctuation of thirty or more taels per bar frequently occurs. In the summer of 1929 the gold bar was quoted around Tls. 400, and toward the end of that year it went to about 500 and in the summer of 1930 it went up to 625. On the average, speculator "plays" from 14 to 35 bars in a single operation, and by chance he may make or lose as much as Tls. 500 a day. From January 5 to

9, it went up from 675 to 748—the biggest jump that has ever been recorded in the Exchange since its existence in such a short time. During the "peaceful" days when the fluctuation in price is within a narrow limit, the margin money required for a unit of 7 bars is about Tls. 50, but during the "stormy" days, when the price fluctuates violently at more than ten taels a day, the margin required per unit may be as much as Tls. 150, depending upon the financial standing of the clients. During the busy hours the Exchange is crowded to the door with speculators, and very often the big speculators stand outside the Exchange building to give orders to their brokers even during the rainy days.

During the course of a year many rich men lost their fortune, while many office boys and clerks become quite wealthy by speculating in this Exchange. An interesting story of how a $15-clerk in a foreign bank has recently made a fortune in the speculation of gold bars has attracted wide gossiping among the speculators. Very frequently we read in newspapers that many a man jumps into the Whangpoo River or commits suicide on account of his failure in speculation. One of the richest young Chinese in Shanghai lost more than $30,000,-000 in this Exchange during the past two years.

The gold bar market is the most sensitive one. Practically speaking, every slight economic or political change in every country, particularly in Japan, China, and England at once affects the price. The causes that influence the ups and downs of gold bars are so numerous that only men of wide experience, who are well-informed in foreign exchange, especially in connection with Japan and China can cope with the situation. Even during the most peaceful days the fluctuation of price is from one to four or five taels per bar a day. For this reason there are many "scalpers" who can make a few taels a day in taking the advantage of slight fluctuations of the market. In the recent slump of silver many Chinese as well as foreign speculators were completely ruined. It is a well-known fact that every month or week new faces appear in the Exchange as the old faces are ruined and cannot go back there again.

During the past few years the import of cotton goods into China has been on the average more than $500,000,000 a year, a greater per cent. of which comes from Japan. Since last summer the price of yen has advanced from Tls. 110 to Tls. 155 in the Shanghai market. This means the imported yarn and cotton piece goods from Japan must be increased in price correspondingly. Then the manufactured yarn in Shanghai has also advanced from Tls. 135 per bale to Tls. 148. The raw cotton during the same period has advanced from Tls. 30.80 per picul in the middle of December to Tls. 35 in January 9 of this year, while the price of American cotton quoted on the New York Cotton Exchange has remained practically unchanged. The Cotton Goods Exchange was promoted by the Chinese cotton and yarn dealers and the cotton mill-owners. On the average the total number of bales of yarn transacted daily is 20,000, and that of cotton, 30,000 piculs. The margin required per bale of yarn is six taels with 50 bales as a unit, and for cotton, three taels per picul with 100 piculs as a unit. Should the price either advance or drop one half of the margin money, the speculator is required to put up a second margin. The nominal commission charged per bale of yarn is half a tael and for a picul of cotton is 12/100 taels, or Tls. 12 per unit of 100 piculs, but this amount may be reduced by 50 per cent. depending upon the amount of business done and the character of the clients.

As a rule when the country is peaceful and the demand for yarn is normal, the price goes in full sympathy with American and Indian cotton and the Japanese yarn in Japan. Before quotations are fixed in the morning speculators first have to see the New York, Liverpool, Bombay and Osaka telegraphic quotations, and then the political and economic conditions of the country before taking any chance in buying or selling. These telegraphic quotations from abroad serve as price barometers, which constitute "inside information." Very few shrewd speculators can ever get all the "inside information" in regard to the trend of the yarn price as there are many foreign as well as domestic factors governing its fluctuation. Externally, one should thoroughly understand the cotton market in America, India, and the yarn market in Japan as well as political conditions of these countries; internally, he should thoroughly understand the actual supply and demand of China cotton, the economic and political conditions of the country. Groundless rumours and sensational reports in the foreign press in regard to movements of troops often cause temporarily sharp decline in price. A sudden clamour of anti-Japanese movement gives the same effect. During this season the price of American cotton has been around ten cents a pound, and if not on account of the present silver slump, the China cotton would have sold for about Tls. 20 per picul instead of the prevailing price at Tls. 35 per picul. The high price of China cotton for this season has been entirely due to the high exchange rate in terms of silver. There must be some good reason if "breaks" come suddenly during the business hours and thoughtful speculators cannot sit down quietly and consider them meaningless.

A violent decline or advance of Tls. 30 per bale of yarn in a short time is a usual phenomenon in the Chinese yarn market. During the past three years, the fluctuation of price has not been very sharp on account of the steadiness of American cotton, which is a principal factor in governing the price of the China cotton. One who is ignorant of the American cotton market will be in the long run a loser. One reason why the Japanese speculators in the Chinese yarn and cotton market have been always successful is because they know the American market better than many Chinese cotton and yarn dealers do. An artful manipulation in the Cotton Goods Exchange by a few speculators has proved very powerful, and thousands of "outside" speculators have been "squeezed" out. There are many so-called "gold barrels" operating in the Exchange, who have mil-

lions of dollars available for this speculative business and they often join together in either buying or selling as a temporary trust. When the market is favourable, they would buy an unlimited quantity of either cotton or yarn and take the goods at the settlement day, which comes a few days at the end of each month: or when the market is dull, they would sell and deliver the goods, which ordinary speculators can not take thus causing an artifical market for a few days.

The quotations of the Chinese Government bonds in the Shanghai Bond Exchange, Hankow Road, are the best barometer for interpreting Chinese political and economic conditions. The bond market is so sensitive that anything affecting the structure of the economic order of the country is indicated in the quotations of the bonds before the news is known to the public or to newspaper correspondents. The Exchange is truly a Chinese institution, for it is almost entirely patronised by Chinese and only a few foreigners are interested in this game. For various reasons the Chinese stocks are not quoted in this Exchange and only the Chinese Government bonds are dealt here. On the average the total daily amount of transaction of bonds is about $5,000,000 in their face value, and during the period of uncertainity, as much as $20,000,000 of bonds have transacted. This Exchange is not purely a speculative market as about 30 per cent. of the business is genuine; it is an investor's market as well, for a majority of investors come here to buy bonds for investment. The spot goods are sold or bought with $1,000 face value as a unit; the future, with $5,000 as a unit. The margin money required for $5,000 unit is $300 with brokerave of eight dollars. Should the price drop or advance six dollars at any time during a day's business hours, the operation is suspended for that day on that particular class of bonds. Of course, such a big drop or advance has never taken place. All quotations are on the dollar basis because the value of the bonds are written in dollars.

Nearly all the government bonds are secured on Customs duties with a few exceptions, such as the Rolled Cigarette Bonds and 1928 Rehabilitation Bonds which are secured on cigarettes and imported kerosene oil. In time of peace and when gold is low in terms of silver, the customs receipt is large, which causes the price of these bonds to appreciate in value or vice versa. In time when the price of silver reached its lowest ebb, the custom collection was greatly reduced. Naturally the price of these bonds were affected. Due to the recent slump in silver the so-called 6 Per Cent. Consolidated bonds issued by the Peking Government and secured on the customs surplus dropped from $74 per $100 face value on December 10, 1930 to $65 on January 8 of this year, as many speculators thought this bond might be irredeemable.

The bonds issued by the Peking Government are called the "old bonds," and those issued by the Nationalist Government are called the "new bonds." The former generally bear 6 per cent. interest on $100 face value, while the latter which constitute a greater percentage of all the outstanding government bonds, bear 8 per cent. to 10 per cent. a year. Many of these new bonds are paid monthly. Generally speaking, when the country is peaceful and the customs receipt is normal, the price of these bonds reaches as high as 95 per cent. Many conservative investors prefer to buy the old bonds in spite of the low interest, which are considered safer than the new ones. In spite of the continuous civil wars and the silver slump, all bonds that have been properly issued and well secured have been fully redeemed or are being redeemed. Before the government had been removed to Nanking, the price of these bonds quoted in the Shanghai Bond Exchange always followed that quoted in the Peking Exchange, for Peking then was a principal source of political and economic news, which governs the rise and fall of bonds. Since Nanking has become the capital, the Shanghai Bond Exchange has become a national barometer for national bonds.

Except the amateur and reckless speculators, any one who has some capital and experience can make a fair living in buying these bonds whenever they have dropped a few dollars per $100 face value, and should the price continue dropping more, he can keep them and draw interest, which amounts from 12 per cent. to 25 per cent. yearly depending upon which class of bonds he chooses to buy. These bonds can be mortgaged at a very good rate of interest in any bank without difficulty. During the course if 1929 and 1930, when the political conditions of the country were unstable, the price of these bonds dropped several times from $10 to $40 per $100 face value. As soon as the fighting mood of the generals ceased temporarily, the price of these bonds advanced again to their normal value.

In spite of heavy losses of fortune and reputation, there is an unfailing stream of "opportunity-seekers" flocking into these organised exchanges. Time and energy wasted in these exchanges are parasitic activities, yet persons who are shrewd, expedienced, well-informed, with ample amount of capital, and unusual ability for such operation, are in the long run able to earn something in the nature of a professional income. Many persons who are proud of their learning and scholarship have generally failed in this game as general education alone can not help any one to be successful in such undertaking. Every year large sums of money are lost in these organised exchanges by incompetent speculators, who quit the market and bear the loss whenever the market is temporarily against them. Every person before attempting to do "business" in these organised exchanges should seriously consider many times how well does he know his "business" and how much can he afford to lose without losing his "face" in society.